

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Periodic Reporting) Docket No. RM2015-7
(Proposal Thirteen))

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
(March 18, 2015)**

Pursuant to Postal Regulatory Commission (“Commission”) Order No. 2294, the Association for Postal Commerce (“PostCom”) submits these comments on the United States Postal Service’s (“Postal Service”) proposal regarding changes to the city carrier street time model. PostCom’s comments focus specifically on the City Carrier Street Time Study (“Study”) contained in the Postal Service’s filing and presented at the technical conference held on January 14, 2015. PostCom does not take issue with the methodology used in the study and generally commends the Postal Service for its efforts to better understand the costs associated with delivery of the mail. The information presented in the Study nevertheless raises several questions that PostCom would like to see examined and answered to improve the value of the study and inform efforts going forward.

I. COST IMPROVEMENT AND TRANSPARENCY ARE NECESSITIES

First, PostCom applauds the efforts of the Postal Service to improve the timeliness of collecting and updating the city carrier costs by moving from an ad hoc special study method to an annual evaluation. With the constant changes the Postal Service is experiencing in its mail mix, it is critical for it to monitor these changes and the effect they have on costs, and to attribute those costs appropriately.

In addition to regular monitoring of its costs, however, the Postal Service needs to ensure it maintains transparency when collecting and reporting on the costs of its various products and services. The information presented in the Study illustrates the Postal Service’s shortcomings on

this score. Although the results of the study were reported, in depth, for market dominant products, PostCom believes the results of the Package and Accountable Delivery portion of the study could be improved. In particular, while the costs were broken out by the type of delivery (in-receptacle and deviation), they were not broken out by product or type of package. Package and Accountable Delivery includes a variety of products and shapes, including Letters, Flats, and Parcels. Accountable Mail includes Certified Mail, Registered Mail, CODs, and Insured mail. But the study does not report which products the Package and Accountable Delivery costs should be attributed to, simply lumping them all in to one category. Further, there was no breakdown between costs attributable to competitive products versus the costs attributable to market dominant products.

We understand the competitive sensitivities of breaking out the various competitive products. However, PostCom would still like to see a breakout of the types of Package and Accountable delivery as well as the percentage and costs attributed between market dominant and competitive. Such a breakdown would be more useful and enable the Postal Service and mailers to better determine the true cost drivers as well as ensure that costs are properly allocated between competitive and market dominant products.

II. CLARIFICATION IS NEEDED

The Study also raises some questions to which the Commission should seek answers before accepting the proposed analytical principle change. Among these are:

- Since the Conclusion of the Study, the Postal Service has introduced Sunday delivery and package only routes. How will these changes be factored into the model for city carrier delivery costs?
 - Will these changes cause the \$16 billion of total direct labor costs, cited in the Study, to grow? If yes, by how much, and why? If no, why not?

- How will these city carrier costs be accounted for and attributed?
- USPS package volume has grown by 168 percent since 2009. It is not clear, however, that there has been a corresponding increase in the amount of street time attributed to these products. A more detailed breakdown of Package and Accountable Delivery costs, which only equate to 4.63 percent of street time for the 2012-2013 route evaluations but have increased by over 34 percent since 2009, would help identify what role package growth has played in the growth of this cost.
- When comparing the total attributable costs cited in the 2013 study to the total attributable costs presented in the 2013 CRA, the CRA reports 1.1 percent fewer attributable costs than the Study. Are these costs being shifted to institutional costs? If not, where are they being accounted for?
- As shown in RM2015-7 DOIS_Collect_Study_with_Parcel.xlxs, a Library Reference included with the study, 32.6% of the routes included in the study were in FSS zones, a higher percentage than the nationwide percentage of routes in FSS zones. FSS zones are known to be in more affluent neighborhoods that would generate more parcels as a general rule. Are FSS routes overrepresented in the study, and if so, how does this overrepresentation influence the results of the study?
- The same Library Reference indicates that no major markets were represented in the study. Boston, New York, Philadelphia, Atlanta, Miami, Chicago, Dallas, Los Angeles, and all of New England were excluded. Why were these markets excluded, and do these exclusions skew the results of the study?

Again, PostCom commends the Postal Service for its effort to better understand and attribute the costs associated with its city carrier network. PostCom believes that the Study would prove more beneficial, however, if the above questions are answered.

Respectfully submitted,

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